

HOUSE OF REPRESENTATIVES STAFF ANALYSIS

BILL #: HB 1243 w/CS Timeshare Plans
SPONSOR(S): Mealor, Roberson, and others
TIED BILLS: None **IDEN./SIM. BILLS:** SB 2534

REFERENCE	ACTION	ANALYST	STAFF DIRECTOR
1) Judiciary	17 Y, 0 N w/CS	Billmeier	Havlicak
2) Business Regulation	29 Y, 2 N w/CS	Livingston	Liepshutz
3) Commerce & Local Affairs Apps. (Sub)	8 Y, 0 N	Rayman	Belcher
4) Appropriations			
5)			

SUMMARY ANALYSIS

The bill amends chapter 721, F.S., Florida's "Vacation Plan and Timesharing Act." The revisions to chapter 721, F.S., permit the regulation of "personal property" timeshares. Personal property timeshares are timeshare interests in personal property, such as cruise ships, houseboats, and vehicles. Chapter 721, Florida Statutes, provides for regulation of the offering, sale, management and operation of real and personal property timeshare plans. However, the current statutory framework is based solely upon the characteristics of real estate timeshare plans and does not clearly address personal property plans.

This bill:

- amends several current definitions and adds new definitions applicable to the regulation of personal property timeshares;
- clarifies that automatic renewal provisions apply as part of the term of the timeshare for purposes of establishing whether chapter 721, F.S., is applicable;
- creates disclosure provisions in sales contracts that are applicable to personal property timeshares;
- creates disclosure provisions in resale contracts that are applicable to personal property timeshares;
- provides that filing advertising materials for review with the Department of Business and Professional Regulation (DBPR) is voluntary;
- clarifies that participation in exchange programs is voluntary and provides for disclosures of fees relating to participation in exchange programs;
- provides that current law relating to the advance fee resale prohibition applies to personal property timeshares;
- reduces the annual common expense timeshare fee from \$2 to \$1.50; and
- requires rather than allows late fee and mandates a minimum charge of \$250.
- makes conforming changes.

The DBPR estimates that the annual fee reduction in this bill will result in a \$1,173,695 reduction in revenues in FY 2003-04.

This document does not reflect the intent or official position of the bill sponsor or House of Representatives.

STORAGE NAME: h1243e.ap.doc
DATE: April 11, 2003

FULL ANALYSIS

I. SUBSTANTIVE ANALYSIS

A. DOES THE BILL:

- | | | | |
|--------------------------------------|---|--|---|
| 1. Reduce government? | Yes <input type="checkbox"/> | No <input checked="" type="checkbox"/> | N/A <input type="checkbox"/> |
| 2. Lower taxes? | Yes <input checked="" type="checkbox"/> | No <input type="checkbox"/> | N/A <input type="checkbox"/> |
| 3. Expand individual freedom? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 4. Increase personal responsibility? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |
| 5. Empower families? | Yes <input type="checkbox"/> | No <input type="checkbox"/> | N/A <input checked="" type="checkbox"/> |

For any principle that received a “no” above, please explain:

The net effect is neither an increase nor a decrease. The division already has authority to regulate personal property timeshare plans but it lacks the specific framework to fully implement its personal property jurisdiction. The increase in filings will not necessitate increased staffing.

B. EFFECT OF PROPOSED CHANGES:

HB 1243 amends chapter 721, F.S., Florida’s “Vacation Plan and Timesharing Act” to place similar regulation on personal property timeshares as are placed on real property timeshares. Traditionally, a timeshare plan is a plan where a purchaser buys an ownership interest in real property accommodations and facilities that gives the purchaser the right to use the accommodations and facilities for a specified period of time. Accordingly, chapter 721, F.S., is written to regulate real property interests. Attempts to apply chapter 721, F.S., to “personal property” timeshares, such as timeshare interests in cruise ships, houseboats, or yachts, have proven to be difficult because many terms applicable to real property do not apply to personal property. Timeshare plans are regulated by the Division of Florida Land Sales, Condominiums, and Mobile Homes (division) of the DBPR.

Section 1

HB 1243 amends the “purposes” section of chapter 721 to show that chapter 721 is also intended to regulate “personal property” timeshare plans.

Section 2

The bill adds language to chapter. 721, F.S., to make clear that the division has authority to make rules relating to the regulation of personal property timeshare plans. It provides that the chapter 721 regulations on personal property timeshares apply only to personal property timeshares that are offered in Florida.

The bill also adds language to make clear that “automatic renewal” provisions will be counted when determining the term of the plan. Chapter 721 only applies to timeshare plans consisting of at least three years. Under the bill, automatic renewal plans where a plan is automatically renewed unless the owner stops the renewal process will be included as part of the term of the plan.

Section 3

Section 3 of the bill amends many of the definitions in s. 721.05, F.S., to make those definitions relevant to personal property timeshare plans. The following definitions are added or amended:

- “accommodation” is amended to add examples of personal property timeshare plans and specify that the property must be designed for overnight occupancy;

- “agreement for transfer” is added related to written contract for the sale of personal property interests where legal title is not transferred until the contract price is paid in full;
- “common expenses” is amended to include fees and taxes associated with the maintenance and operation of a personal property timeshare plan;
- “completion of construction” is amended to address personal property accommodations;
- “filed public offering statement” is added to distinguish between a public offering statement filed with the division versus a public offering statement intended for purchasers. The bill deletes the definition of “registered public offering statement” and amends the statute in various places to reflect the new definition;
- “interestholder” is amended to add an owner of underlying property;
- “memorandum of agreement” is amended to add personal property related provisions regarding public notice of all timeshare license plans;
- “owner of underlying property” is amended to address ownership of personal property accommodations;
- “owners association” is amended to clarify that the term includes all owners of timeshare interests in all types of plans;
- “personal property timeshare interest” is added relating to accommodations not permanently affixed to real property;
- “timeshare estate” is amended to provide that a timeshare estate plan may not include a personal property timeshare interest;
- “timeshare interest” is amended to include a personal property timeshare interest;
- “timeshare license” is amended to exclude a personal property timeshare interest;
- “timeshare plan” is amended to include a “personal property timeshare plan” and a “real property timeshare plan”;
- “vacation ownership plan” and “vacation membership plan” are deleted because the terms are not used anywhere in the statute.

Section 4

The bill s. 721.06, F.S., which requires certain information to be included in timeshare sales contracts. The statute currently requires that estimated annual assessments be included in the contract. The bill adds similar provisions for personal property timeshares.

The bill amends cancellation provisions in timeshare contracts to permit cancellation within 10 days after a purchaser signs a contract or within 10 days after the purchaser receives disclosure documents required by s. 721.07, F.S.

Section 5

Section 721.065, F.S., requires certain disclosure language, including disclosures about assessments for common expenses, fees, and taxes, in resale purchase agreements. The bill requires similar disclosures in resale agreements involving personal property timeshares.

Section 6

Section 721.07, F.S., requires the developer to submit a registered public offering statement to the division for approval prior to offering a timeshare plan. This bill makes various changes to make clear that disclosures apply to personal property timeshares and makes numerous changes to reflect the “filed public offering” definitional change. The bill changes s. 721.07, F.S., by:

- adding pertinent disclosures to the public offering statement related to the offering of personal property timeshare plans;
- adding disclosures related to any changes in valuation of point in a points-based timeshare plan;
- adding disclosures related to the vehicle identification number or other identifying registration number if accommodations are part of a personal property timeshare plan;
- adding disclosures relating to any special fire safety requirements for personal property timeshare accommodations;
- adding disclosures related to the status of title, including liens, defects, judgments, or other encumbrances, as to underlying personal property timeshare accommodations;
- specifying that reserves for personal property timeshare plans must be disclosed if applicable and require a disclosure if they are not applicable;
- requiring the filing of any lease of personal property associated with the personal property timeshare plan;
- requiring that purchasers receive a fully executed paper copy of the purchase contract; and
- requiring the filing of a letter by the filing attorney or escrow agent confirming the independence of the escrow agent and its officers, directors, or other partners.
- Reducing the public offering statement filing fee from \$2.00 to \$1.50.

Section 7

An incidental benefit is an “accommodation, product, service, discount, or other benefit which is offered to a prospective purchaser of a timeshare plan prior to the expiration of his or her initial voidability period”.¹ Incidental benefits are benefits that might not be available for the entire term of the timeshare. Section 721.075, F.S., requires specific disclosures to purchasers so those purchasers will know not to base a purchasing decision on the continued availability of incidental benefits. The bill amends s. 721.075, F.S., to require that the source of incidental benefits be disclosed as part of those disclosures.

Section 8

Section 8 of this bill deals with the conditions under which purchase deposits may be lawfully released from escrow to ensure that timeshare accommodations are available in the manner portrayed and protected from future encumbrances that would endanger the use rights of purchasers. Section 721.08, F.S., is amended:

- to clarify that property other than funds can be the subject of escrow;

¹ s. 721.05(17), F.S.

- to provide that lengthy provisions related to release of funds or other property from escrow do not have to be recited in the escrow agreement itself;
- to organize section 721.08, F.S., by the type of timeshare plan such that conditions for release of escrow are addressed according to the type of plan;
- to provide, as to a nondisturbance and notice to creditors (NDNC) instrument, that a purchaser's rights will be honored by an interestholder so long as the purchaser remains in good standing under the timeshare instrument, that the NDNC instrument will be recorded as to real property timeshare plans and will be attached as an exhibit to a security agreement or other agreement executed by the interestholder which agreement will be made public via the requirement of the Uniform Commercial Code, chapter 679, F.S.;
- to provide that the division director may approve alternate means of protecting purchaser rights in lieu of escrowing purchaser deposits or in lieu of the NDNC instrument and required public notice;
- to provide that purchasers of a personal property timeshare interest will receive an instrument from the developer evidencing transfer of legal title to the purchaser; and
- to provide that violations of the trust or owners association provisions in section 721.08, Florida Statutes, constitute a third degree felony. As to timeshare estate plans, accommodations may be ensured via evidence of ownership free and clear, nondisturbance by all interestholders, or transfer into a trust that meets the requirements of chapter 721, F.S. As to a personal property timeshare plan, the availability of accommodations may be ensured by transfer of the legal title of accommodations into a trust or owners association that complies with the requirements of chapter 721, F.S.

Section 9

This section makes a conforming change to s. 721.09(1)(a), F.S., by changing the phrase "registered public offering" to "filed public offering".

Section 10

Current law requires a developer to file advertising materials with the division but does not require the division to review such material unless requested by the developer. The bill makes filing the materials with the division voluntary but requires the division to review all materials submitted and notify the developer of any deficiencies.

Section 11

Current law requires a seller to keep a copy of each contract for the sale of a timeshare until a deed of conveyance, agreement for deed, or lease is recorded. The bill creates a provision for personal property timeshares that requires a seller to keep a copy of the contract until an instrument of transfer is delivered to the purchaser.

Section 12

Section 721.13, F.S., requires a developer to provide for a managing entity for each timeshare plan. The bill makes changes to the requirements placed on managing entities including:

- providing that the final adopted timeshare plan budget need not be delivered to purchasers if the proposed budget was previously delivered to purchasers and any changes made to the

proposed budget are disclosed and provided to purchasers along with the assessment notice and a reminder that purchasers have the right to receive a copy of the adopted budget;

- clarifying existing law relating to the division's duty to review the final budgets and audits filed with the division annually;
- providing that any reserves existing at the end of a timeshare license plan will be refunded to purchasers;
- providing that the managing entity may not furnish electronic mail addresses to any purchaser or agent thereof without approval of affected purchasers;
- providing that notices and other information sent by a board may be delivered via electronic mail provided the purchaser first consents to use of electronic mail, including proxies or written consents provided that signatures are authenticated through password, cryptography, or other reasonable means and proof of authentication is made available to the board; and
- providing that personal property timeshare plans are subject only to certain provisions of 721.13, F.S., because such personal property accommodations are not affixed to real property and are most typically not physically located in Florida and are therefore inherently difficult to regulate as to management and operational functions.

Section 13

The bill exempts personal property timeshare plans from provisions in s. 721.14, F.S., relating to the discharge of the managing entity. The DBPR explained this provision:

The exemption is based upon the fact that Florida is not asserting jurisdiction or control over most management-related duties because those functions are taking place outside the state.²

Section 14

Section 14 of the bill amends s. 721.15, F.S., to provide that, for purposes of calculating the developer guarantee, depreciation expenses for real property used to generate fees, revenues, or other income shall be excluded only to the extent that they exceed the net income from the generation of those fees, revenues, or other income. The bill provides that section 721.15, F.S., does not apply to personal property timeshare plans.

Section 15

The bill amends s. 721.16, F.S., to provide that lien provisions relating to real property timeshare plans will not be applicable to personal property timeshare plans. The DBPR commented that the "section presupposes the ability to place liens on a real property timeshare interest and foreclose on such liens, which would not typically be possible in a personal property scenario."³

Section 16

Section 721.17, F.S., places restrictions on a developer's ability to transfer his or her interest in the property underlying the timeshare. This section makes clear that the interests of purchasers of

² Department of Business and Professional Regulation Legislative Analysis Form, provided on March 14, 2003.

³ Department of Business and Professional Regulation Legislative Analysis Form, provided on March 14, 2003.

timeshares must be protected. The bill amends s. 721.17, F.S., to place similar restrictions on the owners of an underlying property in a personal property timeshare.

Section 17

Exchange programs are “any method, arrangement, or procedure for the voluntary exchange of the right to use and occupy accommodations and facilities among purchasers.”⁴ These programs allow persons who purchase a timeshare at one location to exchange it for the ability to use facilities and accommodations at another location. This bill amends s. 721.18, F.S., and makes clear that the purchaser’s participation in an exchange program must be voluntary unless the exchange program is one that is functioning as a reservation program of a multisite timeshare plan (a reservation program is mandatory for multisite purchasers). It requires disclosure of membership or participation fees including any conversion or other fees payable to third parties by the purchaser. It deletes the requirement to disclose the name and address of each individual accommodation or facility in participating timeshare plans and limit that disclosure to the plans themselves.

The bill clarifies that the exchange filing information must be reviewed by the division and requires the filing of additional information. It provides timeframes for the review, deficiency, response, and approval process between the division and the exchange company.

Section 18

Current law provides that contract provisions requiring the owner’s association or purchaser to lease any portion of the timeshare property are invalid unless approved by a majority vote of the purchasers. The bill amends section 721.19, F.S., to apply the law to personal property timeshares.

Section 19

Section 721.20, F.S., prohibits a broker, salesperson, or broker-salesperson from collecting an advance fee for the listing of any timeshare estate or timeshare license. The bill extends that prohibition to personal property timeshares.

Section 20

Section 721.24, F.S., contains fire safety provisions relating to real property timeshares. The bill exempts personal property timeshares from those provisions.

Section 21

Section 721.26, F.S., relates to the division’s power to regulate timeshares. The bill makes conforming changes to make clear that this power applies to personal property timeshares.

Section 22

The bill amends section 721.27, F.S., to change the annual fee from \$2.00 per 7 days of annual use availability to \$1.50 per period. It also imposes a late fee of 10 percent of the amount due or \$250, whichever is greater, for late payment of the annual fee.

Section 23

Part II of chapter 721, F.S., regulates vacation clubs, or multisite timeshare plans. The bill amends definitions applicable to part II of chapter 721, F.S. The definition of:

⁴ s. 721.05(15), F.S.

- “multisite timeshare plan” is amended to provide that automatic renewal of the membership contract is counted for purposes of determining jurisdictional thresholds, unless the purchaser can terminate the membership at any time with a pro rata refund or receives notice of no less than 30 days and no more than 60 days prior to renewal as to the right to terminate prior to automatic renewal;
- “nonspecific multisite timeshare plan” is added to include personal property timeshare plans and multisite timeshare license plans for which the purchaser receives a right to use all accommodations through the reservation system but no right to use particular accommodations in the event of termination of the plan;
- “specific multisite timeshare plan” is added to include a multisite timeshare license plan or personal property timeshare plan for which the purchaser receives a specific right to use accommodations at a particular component site with use rights in the other accommodations through a reservation system.

Section 24

The section amends s. 721.53, F.S., to require that developers must comply with applicable provisions of s. 721.08, F.S. (relating to nondisturbance of accommodations and facilities), relating to personal property timeshares in multisite timeshare plans.

Sections 25 - 29

These sections make conforming changes so the sections will conform with definition changes made elsewhere in the bill. These sections amend ss. 721.54, 721.55, 721.551, 721.552, and 721.56, F.S.

Section 30

This section amends s. 721.57, F.S., to clarify that trust timeshare estate plans are governed by s. 721.08, F.S., and not s. 721.57, F.S.

Section 31 - 35

These sections make conforming changes to ss. 721.84, 721.96, 721.97, 475.011, and 718.103 F.S., to make these sections applicable to personal property timeshares.

Section 36 provides the bill effect date with amendment to delay implementation of certain provisions.

C. SECTION DIRECTORY:

Section 1. Amends s. 721.02, F.S., relating to the purposes of Chapter 721.

Section 2. Amends s. 721.03, F.S., relating to the scope of Chapter 721.

Section 3. Amends s. 721.05, F.S., relating to definitions contained in Chapter 721.

Section 4. Amends s. 721.06, F.S., relating to disclosures required in sales contracts.

Section 5. Amends s. 721.065, F.S., relating to disclosures required in resale purchase agreements.

Section 6. Amends s. 721.07, F.S., relating to public offering statements.

Section 7. Amends s. 721.075, F.S., relating to incidental benefits.

- Section 8. Amends s. 721.08, F.S., relating to escrow accounts.
- Section 9. Amends s. 721.09, F.S., to make a conforming change reflecting new definitions.
- Section 10. Amends s. 721.11, F.S., relating to the filing of advertising materials with the division by developers.
- Section 11. Amends s. 721.12, F.S., relating to recordkeeping by the seller of a timeshare.
- Section 12. Amends s. 721.13, F.S., relating to timeshare management.
- Section 13. Amends s. 721.14, F.S., relating to timeshare management.
- Section 14. Amends s. 721.15, F.S., relating to assessments for common expenses.
- Section 15. Amends s. 721.16, F.S., relating to the applicability of liens to personal property timeshares.
- Section 16. Amends s. 721.17, F.S., relating to requirements regarding the transfer of timeshare interests.
- Section 17. Amends s. 721.18, F.S., relating to exchange programs.
- Section 18. Amends s. 721.19, F.S., relating to leasing of personal property timeshares.
- Section 19. Amends s. 721.20, F.S., relating to collection of advance fees for the listing of personal property timeshares.
- Section 20. Amends s. 721.24, F.S., relating to fire safety provisions relating to real property timeshares.
- Section 21. Amends s. 721.26, F.S., relating to the division's ability to regulate timeshares.
- Section 22. Amends s. 721.27, F.S., relating to annual fees collected by the division.
- Section 23. Amends s. 721.52, F.S., relating to definitions applicable to multisite timeshare plans.
- Section 24. Amends s. 721.53, F.S., relating to nondisturbance of accommodations and facilities.
- Section 25. Amends s. 721.54, F.S., relating to multisite timeshare plans.
- Section 26. Amends s. 721.55, F.S., relating to multisite timeshare plan offering statements.
- Section 27. Amends s. 721.551, F.S., relating to multisite timeshare plan offering statements.
- Section 28. Amends s. 721.552, F.S., relating to changes to component site accommodations or facilities.
- Section 29. Amends s. 721.56, F.S., relating to management of multisite timeshare plans.
- Section 30. Amends s. 721.57, F.S., relating to offering timeshare estates in multisite timeshare plans.
- Section 31. Amends s. 721.84, F.S., relating to the duties of a registered agent.
- Section 32. Amends s. 721.96, F.S., relating to the timeshare commissioner of deeds.
- Section 33. Amends s. 721.97, F.S., relating to the timeshare commissioner of deeds.
- Section 34. Amends s. 475.011, F.S. relating to exceptions of and exchange company.

Section 35. Amends s. 718.103, F.S. to provide a definition for "residential condominiums."

Section 36. Provides an effective date with amended provisions for implementation.

II. FISCAL ANALYSIS & ECONOMIC IMPACT STATEMENT

A. FISCAL IMPACT ON STATE GOVERNMENT:

1. Revenues:

The DBPR estimates that reducing the public offering statement filing fee from \$2.00 to \$1.50 will reduce revenue by \$100,000 and the annual common expense timeshare fee from \$2.00 to \$1.50 will reduce revenue by \$1,073,695 in FY 2003-04.⁵

2. Expenditures:

The DBPR anticipates that the net effect is neither an increase nor a decrease. The division already has authority to regulate personal property timeshare plans but it lacks the specific framework to fully implement its personal property jurisdiction. The increase in filings will not necessitate increased staffing.

B. FISCAL IMPACT ON LOCAL GOVERNMENTS:

1. Revenues:

This bill does not appear to have a fiscal impact on local governments.

2. Expenditures:

This bill does not appear to have a fiscal impact on local governments.

C. DIRECT ECONOMIC IMPACT ON PRIVATE SECTOR:

This bill reduces an annual fee imposed on timeshare owners.

D. FISCAL COMMENTS:

The bill amends section 721.07, F.S. to change the developer filing fee and amends section 721.27, F.S. for the annual fee for each time share unit plan from \$2.00 per time share period to \$1.50 per period for a total revenue reduction of \$1,173,695. Department of Professional and Business Regulation reported for fiscal year 2001-2002 time share revenues of \$3,931,257 and expenses of \$2,043,389.

III. COMMENTS

A. CONSTITUTIONAL ISSUES:

1. Applicability of Municipality/County Mandates Provision:

This bill does not appear to require counties or municipalities to take an action requiring the expenditure of funds, does not appear to reduce the authority that counties or municipalities have to raise revenue in the aggregate, and does not appear to reduce the percentage of state tax shared with counties or municipalities.

⁵ Department of Business and Professional Regulation Legislative Analysis Form, provided on March 14, 2003, phone interview with Bob Sloyer of the Department of Business and Professional Regulation on March 18, 2003 by the staff of the Committee on Judiciary, and for the adjusted fee reduction a response by Bob Sloyer of the Department of Business and Professional Regulation on April 14, 2003 to the staff of Commerce and Local Affairs Appropriations Sub-Committee.

2. Other:

None.

B. RULE-MAKING AUTHORITY:

None.

C. DRAFTING ISSUES OR OTHER COMMENTS:

None.

IV. AMENDMENTS/COMMITTEE SUBSTITUTE CHANGES

The Committee on Judiciary considered the bill on March 18, 2003. The committee adopted an amendment that made numerous technical changes and made clarifying changes necessary to apply the bill to timeshares involving cruise ship accommodations. The amendment changed section 721.27, F.S., to change the annual fee from \$2.00 per 7 days of annual use availability to \$1.50 per period. The original bill changed the fee to \$1.00. The bill, as amended, was reported favorably with a committee substitute.

On April 9, 2003, the Committee on Business Regulation adopted a strike everything amendment to the bill which was reported favorably with a committee substitute. The CS differs from the bill in the following ways. The CS reduces the registration fee from \$2.00 to \$1.50. The CS authorizes the Director of the division, at the directors' discretion, to accept alternative means of protecting purchasers from liens involving cruise ships. It reinstates a late fee penalty for delinquent payment of unit fees. The effective date was amended to delay implementation of certain provisions of the bill.

On April 15, 2003, the Subcommittee on Commerce and Local Affairs Appropriations adopted an amendment to reinstate the annual fee of \$2.00 per 7 days of annual use availability, as currently stated in section 721.27, F.S. The second amendment adopted removed the section that reduces the registration fees to \$1.50 and reinstates a late fee penalty for delinquent payment of unit fees. The amendments remove any change to fees and penalty for delinquent payment.